

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

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UNCLAS THE HAGUE 4442

E.O. 11652: N/A

TAGS: EFIN, NL

SUBJ: BANKERS WARN GOVERNMENT ON PROFIT-SHARING SCHEME (VAD)

REF: A) THE HAGUE 2501; B) THE HAGUE 4379

1. SUMMARY: THE NETHERLANDS BANKERS ASSOCIATION HAS WARNED THE GON THAT INTRODUCTION OF ITS PROFIT-SHARING SCHEME (VAD) WILL UNDERMINE DUTCH SHARES BY REDUCING DIVIDENDS AND HANDICAP ECONOMIC RECOVERY AS LONG AS OTHER INDUSTRIAL COUNTRIES HAVE NO SIMILAR SCHEMES. END SUMMARY.

2. THE BANKERS ISSUED THEIR WARNING IN A MEMORANDUM TO THE PARLIAMENTARY COMMITTEE DUE TO CONSIDER VAD IN SEPTEMBER. INTRODUCTION OF VAD WOULD, ACCORDING TO THE BANKERS, COST THE NETHERLANDS TENS OF BILLIONS OF GUILDERS IN FOREIGN CAPITAL EACH YEAR. THUS THE ECONOMIC COST WOULD FAR OUTWEIGH THE SOCIAL BENEFITS.

3. SHOULD THE GOVERNMENT PUSH VAD THROUGH AGAINST ALL WARNINGS THE BANKERS CALL FOR A NUMBER OF CHANGES IN THE DRAFT LAW AND RELATED POLICY, INCLUDING:

A. REDUCTION IN THE LABOR SHARE OF NATIONAL INCOME (PRESUMABLY EXCLUDING VAD) TO LESS THAN 88.5 PERCENT

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FORECAST FOR 1980.

B. INCREASE OF THE "RISK PREMIUM" TO BE ALLOWED CAPITAL FROM THE TWO PERCENT PROPOSED BY THE GOVERNMENT.

C. ELIMINATION OF TAX ON DISTRIBUGED EARNINGS.

D. REMOVAL OF TIME LIMITATIONS ON THE CARRY OVER OF LOSSES AS A WRITE OFF AGAINST PROFITS.

E. MAKING PAYMENTS TO VAD TAX DEDUCTIBLE.

F. REMOVAL OF TADE UNION CONTROL OF VAD FUNDS AND SUBSTITUTION OF A TRIPARTITE COMMITTEE OF EMPLOYEES, EMPLOYERS AND GOVERNMENT REPRESENTATIVES.

G. GIVING FIRMS THE OPTION TO MAKE PAYMENT IN SHARES, BONDS, "CERTIFICATES OF CAPTIAL PARTICIPATION" OR CASH.
BROWN

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